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RESISTANCE FOR COOPERATION BETWEEN CHIANG K'AI-SHEK AND OTHER KUOMINTANG LEADERS IN CHINA

PRELIMINARY VERSION

OIR Report No. 5050 (PV)

September 19, 1949

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The present paper is designed to appraise the ability of the United States to induce Chiang K'ai-shek to cooperate with non-Communist leaders on the Chinese mainland and, specifically, to supply those leaders with arms and other materials. In attempting this appraisal, it has been necessary to precede an examination of particular courses of action open to the United States by an analysis of Chiang's present position and motivations.

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SUMMARY

When Chiang K'ai-shek "retired" from the presidency of China in January 1949, he gave up little more than a titular role. Particularly since the breakdown of the Pei-p'ing peace talks in April 1949, he has continuously intervened in and hampered "Acting President" Li Tsung-jen's efforts to revitalize non-Communist China and to offer effective resistance to the Chinese Communists. Chiang has retained control over the Kuomintang, of which he remains the leader; of Tsung-ts'ai; over the Chinese navy and air force; and over the stockpiles of matériel, gold, and foreign exchange on Formosa. He has assembled on Formosa in the guise of his personal "Tsung-ts'ai Office" a potential cabinet for the eventuality that he may reassume the presidency; this group already conducts much governmental business, either unilaterally or concurrently with the government in Canton. Chiang K'ai-shek has failed to cooperate with the various regional military leaders on the mainland and has not supplied them with weapons, ammunition, or currency in significant amounts. Although Chiang has been devoting most of his resources to building up a base on the island of Formosa, his stronghold there is far from secure, owing to a lack of military coordination and organization; a growing danger of defections and Communist infiltration among his troops; the increasing resentment on the part of the Formosans against the mainland troops, refugees, and bureaucrats; the economic weaknesses of the island; and the hopelessness of the Kuomintang cause.

It is probable that Chiang's current strategy is conditioned by two motives: (1) somehow to hold on to power and leadership until the United States becomes totally involved in China (as in a third world war) and restores him to his former position, and (2) to prevent alternative leadership over non-Communist China from usurping his own potential position. Chiang probably does not count on either the regional warlords or an underground resistance movement to restore him to power and therefore is reluctant to aid these groups, although he will try to retain as much control as possible over them. He will probably try to block resistance efforts that he cannot control or that might challenge his position as the leader of non-Communist China.

In view of Chiang's extremely negative attitude toward mainland resistance leaders, he is not likely to release supplies from his Formosan stockpile in any significant amounts unless he is subjected to special inducements and pressures.

The chief inducements that the US might offer Chiang are:

1. An agreement by the US to replenish Chiang's military supplies.
2. An offer by the US of further ECA aid to Chiang.
3. Assurances by the US that it will continue to recognize Chiang as the real leader of a legitimate Chinese government in the event of a collapse of anti-Communist resistance on the mainland.

Pressures that the US might bring to bear on Chiang could be either political or economic and might include:

1. A statement by the US that it will not recognize Chiang as the leader of non-Communist elements in China and will not necessarily consider him in the future to be the only proper recipient of American military aid.
2. Indications by the US that it will attempt to undermine his position on Formosa by taking steps to change the international status of Formosa -- through military occupation, UN trusteeship, or support of Formosan independence.
3. Restriction of trade between Formosa and the US and Japan.

On the basis of the above survey of means available for inducing Chiang to release his supplies, it would appear that the only expedients that offer any real hope of success are: (1) an agreement by the US to replenish Chiang's stockpiles or (2) a threat by the US that it will bypass Chiang completely by sending aid directly to the mainland leaders of resistance forces. The first of these courses of action involves the special risk of alienating and discouraging other non-Communist leaders who have for some time desired to eliminate Chiang's influence. It also involves the problem of ensuring observance by Chiang of his part of the bargain as well as preventing his distribution of supplies on the basis of the loyalty of the recipients to himself. The threat to send aid directly to mainland leaders must be taken seriously by Chiang if it is to induce him to send aid to those leaders himself. In the past, it must be noted, American threats have been blunted by Chiang's faith in his own indispensability to the United States in the fight to check Communism in Asia.

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I. CHIANG K'AI-SHEK'S PRESENT POSITION AND OBJECTIVES

A. Chiang K'ai-shek and Non-Communist China

On January 21, 1949 Chiang K'ai-shek "retired" from the presidency. It soon became evident, particularly after the breakdown in April of the Pei-p'ing peace talks between the government and the Communists, that Chiang had surrendered little more than his titular role in the government. Chiang's strategy since April seems to have been to conserve his strength wherever possible, to build up a base on Formosa, and to retain influence over as much of China as possible through the Kuomintang (of which Chiang remains the leader, or Tsung-ts'ai), through the personal loyalty of some of the military leaders, and through his control over the Chinese navy and air force and over the national treasure and the military stockpiles on Formosa. "Acting President" Li Tsung-jen's efforts to organize effective resistance against the Communists have been severely hampered by Chiang's interference in the government and by his refusal to commit his better troops to battle or to supply arms, ammunition, and funds to military leaders whose personal loyalty is not directly to Chiang himself.

The National Government of China, at present located at Canton, will probably evacuate to Chungking or some other city in the southwest upon the fall of Canton unless Chiang K'ai-shek reassumes the presidency and the government is evacuated to T'ai-pei on Formosa. Regardless of

the official seat of the government, the locus of such centralized political authority as remains in China has already been on Formosa for some time. As non-Communist China continues to disintegrate, the relative importance of Formosa in the government is likely to increase further. Since August 1, 1949 Chiang has maintained a potential cabinet in the form of his personal "Tsung-ts'ai Office." Many governmental functions are already being handled by this group, either without reference to the government in Canton or concurrently with Yen Hsi-shan's cabinet. This is particularly true of foreign affairs. (The former foreign minister, Wang Shih-chieh, is now an "adviser" to the Tsung-ts'ai Office, while in Canton the portfolio of the foreign minister remains vacant.) Should the Canton government collapse, Li Tsung-jen resign, or the Generalissimo decide to reassume the presidency, the Tsung-ts'ai Office would presumably form the nucleus of the government.

Chiang's influence on Formosa derives not only from the potential government he has assembled, but also from the stocks of military supplies, gold, and foreign exchange that he has collected on the island. The exact amounts of material, gold, and foreign exchange available to Chiang on Formosa are not known, but the fact that they are thought to be substantial adds to Chiang's influence with the military leaders on the mainland, who find it increasingly difficult to pay their troops and obtain needed supplies. In addition, some of China's best troops, as well as the Chinese air force and navy, are based on Formosa. Li

Tsung-jen's government has been able to exert no influence over these resources and troops. Control over the air force and navy gives Chiang control over the blockade of the Communist ports -- the most effective of the anti-Communist measures at present being pursued by the Chinese.

The regional military leaders in China, of whom Pai Ch'ung-hsi, Ma Pu-fang, Ma Hung-k'uei, Wang Lung Ch'i, Liu Wen-hui, and Lu Han are the most prominent, have pursued variously independent courses with little reference to Chiang. Their attempts to obtain significant amounts of military supplies and funds from Chiang's stocks on Formosa have met with failure. Nevertheless, Chiang's influence over them has not entirely disappeared, as is demonstrated by the meetings Chiang is now conducting in Chungking with warlords, including Ma Hung-k'uei, Wang Lung Ch'i, Liu Wen-hui, and Lu Han. Some of these regional military leaders are reported to have negotiated with the Communists, however, and there can be no assurance that defections, such as those that occurred in Hunan recently, will not occur in the future, regardless of any understanding reached in Chungking.

B. Formosa as a Base for Chiang K'ai-shek

Before the war Formosa was a food surplus area. The dislocations of the postwar period, as well as the influx of refugees and troops from the mainland have, however, resulted in a current deficit. Although it is conceivable that with sufficient imports of fertilizer and with appropriate reconstruction measures the island could be made to support its population as well as a garrison, it is unlikely that Chiang is doing

the sort of long-range planning that would be required. The gold and foreign exchange held by Chiang K'ai-shek are probably sufficient to take care of deficits on current international account for several years, but it is unlikely that he will use any significant part of his assets for the economic reconstruction and development of Formosa.

The record of the Kuomintang administration of Formosa justifies no optimism. Since the Japanese surrender, the island has been administered with inefficiency, corruption, and favoritism, particularly during the rule of Governor Ch'en Yi. Maladministration and the growing resentment against mainland refugees, troops, and officials have combined to make Formosa receptive to Communist infiltration and have given a new impetus to Formosan independence movements that are susceptible to Communist exploitation. It is not likely that Chiang will use the resources available to him to restore the Formosan economy and to improve the island's administration. More probably he will increasingly saddle the island with unproductive troops, officials, and refugees.

There are now about 300,000 troops on Formosa, including 60,000 combat troops.[1] Sun Li-jen, an able and efficient general who has not always followed Chiang K'ai-shek blindly, has been placed in over-all command of the combat forces on Formosa. Governor Ch'en Ch'eng, whose loyalty to Chiang has not been questioned, retains control over military supplies, however. The lack of coordination between Ch'en and Sun

1. See General Sun Li-jen's statements to the American Consul in T'ai-pei, T-476, T'ai-pei, September 15, 1949, SECRET.

has not been resolved, and even Sun Li-jen has not been able to obtain adequate supplies from the stockpiles on Formosa. The principal military weakness of Formosa, however, is not the lack of cooperation between General Sun and Governor Ch'en but the danger of defection and Communist infiltration among the troops defending the island. As anti-Communist forces on the mainland disintegrate, less reliance can be placed on the loyalty of even the picked troops Chiang is assembling on Formosa.

The lack of military coordination and organization, the likelihood of defections, the economic weaknesses of Formosa, the growing resentment against the "mainlanders," and the hopelessness of the Kuomintang cause will probably combine to make Formosa so vulnerable to Communist infiltration tactics that an all-out military assault may not be necessary to secure the island for the Chinese Communists. The precarious military position of Formosa detracts considerably from Chiang K'ai-shek's long-range influence over mainland leaders.

C. Chiang K'ai-shek's Objectives and Estimate of the Situation

On the basis of the present situation and Chiang K'ai-shek's past record, it is possible to outline Chiang's probably objectives. Chiang has throughout his career as leader of Kuomintang China manipulated the loyalties of political and military cliques to aggrandize and protect his personal authority and leadership. He has often been willing to make strategic retreats if necessary to prevent other leaders or parties from challenging the supremacy of his own position, always with great faith in his own historical judgment. During the war against

Japan, Chiang was confident that Japan would ultimately be defeated by the United States and preferred, therefore, to devote much of his strength to containing the Communists and conserving his resources wherever possible for the postwar political and military struggles. The fact that he lost much through inefficiency and corruption on the part of his subordinates was a secondary matter to Chiang as compared with the necessity of protecting his own supremacy by building up a system of personal loyalties and by impeding those leaders with enough independence to challenge his position. Chiang was impervious to much of the American advice and pressure because he was confident (1) that Japan would ultimately be defeated regardless of anything China did or did not do and (2) that the United States was basically opposed to the Chinese Communists and would eventually recognize the impossibility of coming to terms with them.

During the recent period Chiang's position has been in some ways analogous to his position during the war, as he himself has pointed out.[1] Chiang is apparently again counting on ultimate American involvement in China (as in a third world war) sufficient to restore him to his former position. Chiang K'ai-shek does not admit that his leadership is no longer accepted in China as it was during the early years of the war against Japan. He does realize that most of the regional military leaders and even "Acting President" Li Tsung-jen have no strong personal loyalties to him, and is reluctant, therefore, to provide them with

1. See Chiang's statement in Chungking, T-173, Chungking, August 26, 1949, UNCLASSIFIED.

sufficient matériel to permit them to offer an independent resistance to the Communists that is effective enough to threaten his own position of preeminence.

It is not likely that Chiang has much faith in means of restoring his position other than ultimate American intervention. Although the warlords are useful to him in taking Communist pressure off Formosa, he has not heretofore had sufficient trust in the prospects or loyalty of even the most able generals, such as Pai Ch'ung-hsi and Ma Pu-fang, to provide them with weapons to offer effective resistance. Chiang's inability or unwillingness to utilise fully peasant and guerrilla resistance against Japan suggests that in the future Chiang will be unable to organise or even recognize new indigenous resistance forces and that he will not count on an underground movement to do more than harrass the Communists. For the present, Chiang will probably try to gain influence wherever possible over both warlords and the sporadic unorganised resistance that is developing in Communist areas. He will probably count on neither to restore him to power and may try to block resistance groups that he cannot control or that might someday challenge his own leadership. In any event, it is not likely that a rising dynamic resistance movement would desire or accept Chiang's leadership once it had gained momentum.

Given the hopeless situation in which Chiang finds himself, his apparent optimism -- and the opitimism of some of the men closest to him--can be explained only by Chiang's faith in the coming of a third

world war that would involve the US in full-scale intervention in China. At the present, Chiang's motives seem to be (1) to hold on somehow until the United States becomes fully involved in China (as in a third world war) and (2) to prevent alternative leadership from challenging his preeminence among non-Communist leaders. These objectives seem to have conditioned Chiang's strategic concepts -- his refusal to defend the Yangtze line, his unwillingness to aid in the defense of the inland regions of south, southwest, and northwest China, and his preference for defending the coastal regions of Kwangtung and Fukien and Formosa -- as well as his persistent interference in Li Tsung-jen's efforts to revitalize the resistance against Communism in China. The same objectives are likely to condition Chiang K'ai-shek's future relations with resistance leaders, warlords, and militarists on the mainland and with any new underground or guerrilla movement that may arise in Communist China.

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II. STEPS THAT THE US MIGHT TAKE TO INFLUENCE CHIANG

In the light of Chiang's position, objectives, and motives, as outlined above, the problem of formulating measures that would induce him to change his recalcitrant attitude toward mainland resistance leaders is an extremely difficult one. Chiang's extremely negative approach to the problem of resistance on the mainland makes it highly unlikely that he will take any action to release supplies in significant amounts unless he is subjected to special inducements or pressures.

In the following section, a number of inducements and pressures that might theoretically be applied by the United States are discussed and evaluated, under the somewhat arbitrary assumption that it is desirable from the viewpoint of US policy to induce Chiang to release to the mainland resistance leaders materiel from his Formosan stockpiles and from any shipments that he may receive in the future.

A. Measures Involving Economic and Political Commitments to Chiang

1. Military Pipeline Agreement. One possible expedient that might be used in an effort to induce Chiang to release his supplies would be an agreement by the US to furnish him with funds and military supplies to replace whatever aid he might send to mainland resistance leaders. Such an arrangement could be made on a quid pro quo basis, need not involve any long-term commitments, and might allow the US to exercise supervisory control over the allocation and final distribution of all supplies.

While such a plan offers some prospects of success, certain difficulties and costs are involved. First of all, there is the question of whether Chiang can be held to any agreement he might make. If given the opportunity, he is likely to hoard whatever supplies he receives.

A second difficulty is the delicate question of determining how the recipients of aid on the mainland are to be selected. If Chiang is allowed to designate the recipients, he is likely to ignore the needs of the more able resistance leaders such as Pai Ch'ung-hsi and Ma Pu-Fang and, instead, funnel aid to the mainland through trusted lieutenants such as Tang En-po and Hu Tsung-nan. These lieutenants would probably appropriate the larger share of aid supplies for themselves, leaving only the crumbs to leaders who could use the aid more effectively. In any case, a high degree of leakage and waste may be anticipated.

Greater efficiency in the distribution of supplies from Formosa might be attained by the establishment of an American supervisory board with full powers to regulate the allocation and distribution of supplies. In the light of his behavior in the past, however, Chiang is likely to view American supervision as an unacceptable infringement on his sovereignty.

A further difficulty, closely related to the problem of determining what forces on the mainland are to benefit indirectly from American aid to Chiang, is the probability that renewed military assistance to Chiang would alienate and even discourage other non-Communist leaders who have for some time hoped to eliminate Chiang's influence in the fight against Communism. Li Tsung-jên and his supporters have, for example, made no secret of their desire that the United States deal exclusively with them

and ignore, or even repudiate Chiang's leadership. A program of further military aid to Chiang might, therefore, cause Li and others to reappraise in a more pessimistic manner the advantages and disadvantages of continuing to reject Communist peace overtures.

2. Allocation of ECA Funds. A second expedient that suggests itself is an indication by the US Government that it would be more willing to allocate unexpended ECA funds to Chiang if it had adequate assurances that he would release supplies to the mainland. As of September 15, 1949, US $59.3 million of the US $275.0 million appropriated for China under the China Aid Act of 1948 was still uncommitted.[1]

Any appraisal of the possible effectiveness of such a move must take into account (a) the difficulty of holding Chiang to any promises he may make; (b) the question of whether his deeply ingrained reluctance to release his supplies could be overcome by an American offer of economic aid alone. With regard to the latter problem, it is unlikely that Chiang will be seriously concerned with economic rehabilitation in Formosa as long as he can maintain himself in power by repressive measures. It is unlikely, therefore, that a US offer of economic aid would have any real effect on his thinking, unless such aid relieved him of the necessity of expending some part of his assets for non-military purposes and thereby made those assets more fully available for the purchase of military supplies.

1. In addition, as of August 10, 1949, a balance of US $49.5 million of the amount committed remained unexpended.

3. Political Commitments. A third expedient that suggests itself is an assurance by the US Government that it will continue to recognize Chiang as the leader of the non-Communist elements in China in the event of a collapse of anti-Communist resistance on the mainland. Such assurances might include an indication that the US will take no action to change the status of Formosa.

The chief disadvantage inherent in such a plan would be the loss of flexibility that it would involve for US policy toward China. In the event that mainland resistance should collapse, the US might be left supporting a government-in-exile on Formosa, cut off from any real contact with China as a whole. Moreover, the impact of such a plan on Chiang is not easily predictable, especially in view of his already well-established faith in his indispensability to the US.

B. Measures Involving the Use of Threats and Sanctions

1. Political. The US has at its disposal a number of means for bringing pressure to bear on Chiang in an effort to persuade him to release his supplies.

One such means that the US might employ is a statement that the US would refuse to recognize Chiang as the real leader of a future non-Communist China unless he gave evidence of actively supporting resistance leaders on the mainland. Such a statement might include an indication that, unless Chiang takes immediate steps to release his supplies, the US will consider sending military aid and supplies directly to resistance leaders on the mainland. If such a statement could be made convincingly it would strike at a central element in Chiang's thinking, his desire

to remain preeminent in a non-Communist China and his fear that some other non-Communist leaders may become powerful enough to challenge his leadership. The effectiveness of such a plan would, however, be seriously limited by two factors: (1) its impact would be largely verbal; (2) Chiang believes himself indispensable to the US in its attempt to check Communism in Asia.

A second type of political pressure that the US might apply is an indication by the US that, unless Chiang releases his supplies, the US will endeavor to undermine his position in Formosa by advocating or initiating measures calculated to change the international status of Formosa. The US now has at its disposal three possible means for doing so: (1) military occupation; (2) support of a UN trusteeship; (3) support of Formosan independence groups. The legal and political weakness of Chiang's position on Formosa would make him vulnerable to such forms of pressure, but his vulnerability would be counterbalanced and reduced by his awareness of the difficulties and costs to the US that would be involved in any actual application of such pressures. He is undoubtedly aware that a US occupation would be costly and would involve the risk of Soviet countermeasures. He may feel that a trusteeship would be preferable, from his point of view, to Communist invasion, and, in any case, he is aware that the implementation of a trusteeship plan would be a time-consuming operation requiring the concurrence of other powers. Finally, he is probably well aware that the US would hesitate to support independence movements, given the danger of Communist infiltration of these movements.

2. Economic. Pressure might also be brought to bear on Chiang by the use of economic sanctions. The dependence of the Formosan economy on Japan as a market for a large part of its sugar exports makes it highly vulnerable to sanctions that the US might impose. However, the use of such sanctions as a means of influencing Chiang is subject to a number of serious limitations. It is questionable whether the application of economic pressures alone could weaken Chiang's position on Formosa to the point where he would be willing to compromise. The relative self-sufficiency of Formosa in food production and Chiang's ability to use his monopoly of military force to quell civil unrest would seriously limit the effectiveness of such a threat. The effect of the economic pressures applied would be felt primarily by the common people of Formosa and not by the military hierarchy. The consequent loss to the US in terms of Formosan good will would, therefore, be great. Additional costs to the US that would have to be weighed are: (a) the possible damage to US economic objectives in Japan; (b) the potentially adverse political repercussions in the Philippines and other non-Communist countries of the Far East.